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AUTHOR Pickens, William H.
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ABSTRACT

Forces that will greatly affect higher education in the 1980s are described, and trends during the 1970s are briefly reviewed, with an emphasis on educational finance. During the 1970s, the number of students increased by 24.3 percent, total educational and general revenues more than doubled, the state's proportion of these revenues rose by 5.2 percent, and the federal share fell by 6.1 percent. As a whole, the higher education institutions held their own throughout most of the 1970s. Two possible scenarios for the 1980s (pessimistic and optimistic) are considered concerning enrollments, curriculum and quality, personnel, relations with government, and the private colleges. It is argued that the ability of institutions to overcome key challenges will be the critical factor in determining which scenario prevails. The following challenges posed by the American economy and society are addressed: demographics, economics, reindustrialization, and competition for students from business and industry. Additionally, the relationship between higher education and governments is discussed with respect to state-level formulas, demands for increasing accountability, and competition in the budget process. (SW)

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WHAT'S AHEAD FOR HIGHER EDUCATION?

Presentation by
William H. Pickens
Director of Fiscal Analysis
California Postsecondary Education Commission

to the
National Conference of College Auxiliary Services
Reno, Nevada
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I appreciate your invitation to discuss the future of higher education--such forecasts are often educational if not always accurate. Actually, my purpose is not to offer specific predictions but to describe those forces which will most affect the destinies of educational institutions during the coming decade. With these forces in mind, perhaps we can better direct those destinies.

The first section surveys trends during the 1970s. The aggregate statistics indicate that, despite many alarms and outcries, the past decade was good for higher education, though it lacked the heady atmosphere of the 1960s.

The second section outlines two possible scenarios. Most of us believe that higher education stands at a decisive turning point. Things will not be the same. After agreeing on this, however, people seem to divide into optimists and pessimists, often citing the same facts but reaching different conclusions.

The third section offers my views on the future of higher education, with an emphasis on educational finance. This topic divides naturally into (a) challenges posed by our economy and society, and (b) the relations between educational institutions and government, both federal and State.

The 1970s

The following table reveals some important facts about higher education during the past decade. The number of students increased by 24.3 percent, almost twice the rate of increase in America's adult population. Total Educational and General Revenues more than doubled, so that higher education now accounts for 2.1 percent of our Gross National Product. Although tuition and fees increased steadily, this source of revenue remained constant as a percentage of Educational and General Revenues, and (though not shown here) it

SELECTED INFORMATION ON HIGHER EDUCATION IN THE UNITED STATES
DURING THE 1970's

Category	1969-70	Latest Year	Percent Change
Total Number of Institutions	2,817[a]	3,125 (78-79)[a]	+10.9%
Private Institutions	1,504	1,660	+10.4%
Public Institutions	1,313	1,465	+11.6%
Total FTE Enrollment	6,738,000[a]	8,372,000 (78-79)[a]	+24.3%
Private Institutions	1,785,000	2,069,000	+15.9%
Public Institutions	4,953,000	6,303,000	+27.2%
Total, Educational and General Revenues	$16,593,582,000[b]	$40,152,187,000 (78-79)[b]	142.0%
Proportions of E & G Revenues Represented by Selected Sources			
Student Tuition & Fees	26.7%[b]	26.9% (78-79)[b]	+0.2%
State Appropriations to Institutions	34.2%[b]	39.4% (78-79)[b]	+5.2%
Endowment Income & Private Gifts (except student aid)	3.7%[b]	2.9% (78-79)[b]	-.6%
Federal Share of Institutional Expenditures for E & G	22.5%[a]	16.4% (78-79)[a]	-6.1%
Real Expenditures per FTE student on Instruction (Average for 1960's=$2,500)	$3,070	$3,166 (76-77)[a]	+3.1%

a. Carnegie Council on POlicy Studies in Higher Education, Three Thousand Futures: The Next Twenty Years for Higher Education (San Francisco: Jossey Bass, 1980), p. 11.

b. National Center for Education Statistics, Financial Statistics for Institutions of Higher Education, 1969-70 (Washington, D.C.: U.S. Government Printing Office, 1973), p. 12. Ibid., Financial Statistics for Fiscal Year 1979 (Washington, D.C.: U.S. Government Printing Office, 1981), p. 12.

actually fell as a percentage of disposable income for Americans. The federal and State shares of Educational and General Revenues showed countervailing tendencies--the State's proportion rose by 5.2 percent while the federal share fell by 6.1 percent. Overall, real expenditures, after controlling for inflation and workload changes, appear to have increased slightly (by 3.1%) in the 1970s. Certainly these averages encompass wide differences throughout the nation, the extremes being states in the industrial northeast and those in the sunbelt. Nevertheless, most indicators suggest that, as a whole, the institutions of higher education at least held their own throughout much of the 1970s.

Different Futures for Higher Education

Let us now look at alternate futures for higher education, realizing the reality will likely lie somewhere between.

TWO POSSIBLE SCENARIOS FOR THE 1980s

Category	The Pessimistic Scenario	The Optimistic Scenario
Enrollments	The numbers of students fall even faster than the drop in the size of the historic college age cohort (18 to 26 year olds) because a glut of college graduates is driving down salaries. Although people older than the traditional college age students do enroll more often than in the past, they enroll part time, take few courses, and cannot begin to offset the decline in the traditional college age group, especially in terms of full-time-equivalent enrollment. These resulting enrollment declines reduce the resources available to institutions and further limit their flexibility.	The numbers of students do not fall because older persons, members of racial and ethnic minorities and foreign students replace the shrinking pool of 18-26 year olds. Increased student aid makes it attractive to be a student while high unemployment among youth provides further incentives to enroll. Universal attendance and lifelong learning become accepted because of the skills required by an advanced, technological society. Even if enrollments fall slightly, the political influence of higher education restrains budget cuts.
Curriculum and Quality	The institutions of higher education compete for students in destructive ways: false advertising, easy credits, soft courses, grade inflation. Public confidence in higher education declines. Students exercise their new influence to force lower standards of academic conduct and quality. Students drop in and drop out, thus fragmenting the educational experience and producing an incoherent curriculum.	Institutions develop codes of fair practices through the leadership of national associations and accrediting agencies. These codes help preserve the academic integrity of higher education and maintain public confidence. Contraction forces institutions to turn attention to the quality of education rather than to accommodating larger numbers.
Personnel	Faculty members react defensively to these challenges, through collective bargaining and demagogic attacks on administrators. With lay-offs based on seniority, faculties consist of mostly older white men who block women and minorities from employment. Both the number and quality of individuals willing to serve as administrators decline as conflicts increase and rewards decrease.	Faculty members are realistic about the serious problems facing their institutions and their role in the educational enterprise. New personnel policies make it possible for some new, young faculty members to enter the system, including women and minorities. Trustees choose administrators more carefully for their leadership and flexibility, while providing them with adequate salaries and support.
Relations with Government	Often at the request of constituencies within the institutions, public authorities intervene and seek to further regulate the affairs of higher education. The combination of tax limitation movements and other State funding priorities reduce the resources available to higher education in addition to cuts made because of declining enrollments.	The constituencies within higher education resolve their own differences, and public authorities exercise self-restraint when dealing with the institutions. Governments are anxious to increase the resources for higher education as an investment in future productivity and technological advancement.
The Private Sector	Inflation-induced increases in tuition coupled with waning financial aid for students further weaken the private sector in competition with public institutions. Meanwhile, public controls and financial support by government further erodes the independence of private institutions, thus making higher education more homogeneous.	Efforts to broaden the base of support for private institutions succeed in restraining tuition increases. Student financial aid continues to support these colleges without encouraging excessive regulation by government. Only the weakest institutions are closed, and this strengthens the system as a whole.

The Future of Higher Education

Instead of speculating on which scenario will best describe higher education by 1990, I shall argue that the ability of the institutions to overcome certain key challenges will be the critical factor in determining which scenario prevails. We now turn to these challenges.

Challenges Posed by the American Economy and Society

1. Demographic

We know that the number of 18 year-olds in the United States peaked in 1979 and will decline by 1.1 million by 1992, or by 26 percent. Moreover, the numbers of 18-24 year olds (60% of whom attend institutions of higher education) will decline 23.3 percent by 1997. The Carnegie Council in Three Thousand Futures has published enrollment projections which, as shown in the following table, take into account numerous demographic factors, including decreases in participation rates by males and increases in enrollments among Blacks.

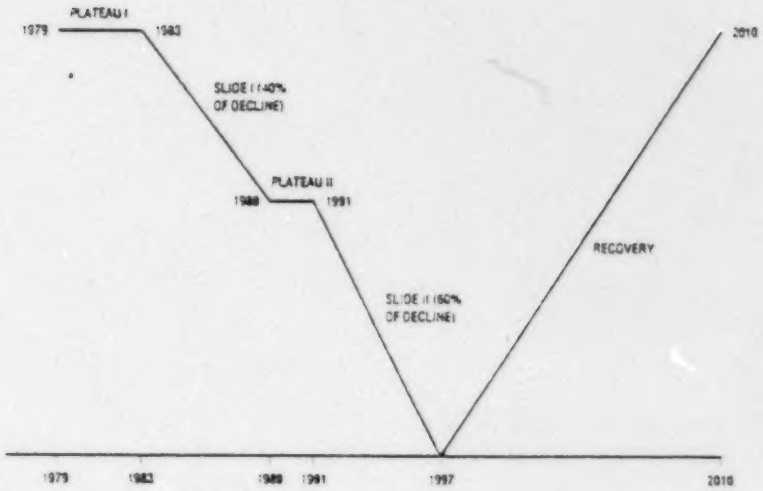
Following a series of hypotheses, the Council concludes that undergraduate enrollments nationwide will decline between 5 and 10 percent during the next two decades. While acknowledging the tenuous nature of projections in this complicated area, I believe that the Council's estimates appear reasonable.

Whether you accept the Carnegie approach or not, three observations about enrollment levels are important. First, the demographic trend of the 18 to 24 age cohort suggest that two "plateaus" exist, one between 1979 and 1983 and another between 1989 and 1991 (shown on the graph). During these years, the long-term decline in numbers is imperceptible, and we could be enticed into a false sense of security about enrollments. This sense is dangerous.

Second, the aggregate decline predicted by Carnegie (between 5 and 10 percent) hides substantial variations among the states, ranging from regional declines of more than 10 percent in the East to increases of more than 10 percent in some southern and western states. Therefore, each state should investigate its situation according to the Carnegie model or some other projection model in order to plan for its future.

Finally, and from a practical standpoint, the prime goal in most states should be to serve those groups who have traditionally enrolled while expanding efforts to attract and retain members of

Generalized view of enrollments, 1979-2010



Source: Carnegie Council estimates.

Potential decline in full-time equivalent undergraduate enrollment, 1978 to 1997, with contribution from each factor in projection model.

	Percentage	*Reference in text*
Decline in 18-24 age cohort	-23.5	
Adjusted for the 80 percent that this age cohort constitutes of all enrollments	-19	
Adjusted for increase in population 25 and over at constant participation rates (+4 percent)	-15	
Adjusted for increase in percentage of population 25 and over with college experience and resultant higher participation rates (+5 percent)	-10	(A)
Adjusted for potential further decrease in participation rates by males 18-24 (-5 percent)	-15	(B)
Adjusted for changes in other components:		
More blacks and more participation by blacks (+2 percent)		
More participation by majority women 18-24 (+4 percent)		
Increased retention (+4 percent)		
Impact of increasing proportion of part-time enrollment (-5 percent)		
Net: +5 percent		
Applied to (A)	-5	(C)
Applied to (B)	-10	(D)

Source: Carnegie Council estimates.

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social and economic groups who have not traditionally participated in higher education: members of racial and ethnic minorities, older adults (especially women), and poor people. Within many states, the proportion of the total population represented by these groups is growing. Regardless of the growth or decline of these groups in the general population, however, the institutions of higher education will become increasingly insular and politically vulnerable if they cannot attract and benefit these students.

2. Economics

All of you are aware of the economic problems facing our nation: inflation, lagging productivity, under-investment in capital goods, high interest rates, energy dependence, the demise of home-ownership, the crisis of retirement funding. More threatening to higher education than these pervasive problems, however, are the regional dislocations which threaten to divide our nation into areas of haves and have nots. Recently, Business Week warned that "so swift are the dislocations of labor and capital in the Northeast and Midwest that they are intensifying the social and political problems that high unemployment, urban decay, and eroding political power inevitably cause." In terms of population, jobs, capital, and incomes, "the size of the shifts between regions numbs the mind" (BW, Special Issue, "American's Restructured Economy, June 1, 1981, p. 10).

These trends are particularly ominous for higher education because most institutions are supported by State governments and attended by students predominantly from nearby communities, not from national sources. Further, the flow of resources to other states forces public officials to choose between raising tax rates to support services at historic levels but further limiting their state's attractiveness to industry, or accepting lower revenues and thus decimating services, including higher education. Such dislocations and choices should concern anyone who believes in a network of quality institutions serving the entire nation.

3. Re-industrialization

The institutions of higher education have been called on to help "re-industrialize" our nation, or--more specifically--to help increase our economic productivity and industrial flexibility. Some in the academy have praised President Reagan's goal of increased public and private expenditures in basic research as inaugurating a new era for institutions. Such research is alleged to be the major role of higher education in the "supply-side" world. I think this view is mistaken.

More dollars for basic research will undoubtedly benefit some universities, but, within the universe of educational institutions, their numbers are small and their success is already assured. Of the 3,000 colleges and universities in America, only 600 receive any federal research grants which altogether total $4.5 billion. Of these, 30 universities are awarded as much money as all others combined (The Report of the Sloan Commission on Government and Higher Education, 1980, pp. 165, 173). The effort to involve higher education in "re-industrialization" must encompass the whole spectrum of institutions. Let me suggest three strategies:

- An increased emphasis on basic skills: communication, mathematics, and science, including computer literacy;

- More activities to help people cope constructively with rapid technological and social change; and

- More effective links with the world of work without becoming merely an extension of industry. One major shortcoming of vocational training is that it often becomes focused on specific jobs rather than on general skills. In such cases, the institutions of postsecondary education evolve into on-the-job training sites for companies who are anxious to unload the cost of their training programs onto the public. This serves the industries well but the students poorly because, in the long-run, they need diverse skills to succeed in a changing world.

4. Competition for Students from Business and Industry

The Carnegie Council defines the "first sector" of postsecondary education as consisting of colleges and universities, the "second" as proprietary schools, and the "third" as those institutions which offer instruction as an adjunct to their main activities: instruction by corporations, research agencies, museums, trade unions, and the armed forces. Far from being a minor presence in postsecondary education, this "third sector" allocates $30 billion a year to education and training, only a small portion of which finds its way to colleges and universities (an estimate by the American Society for Training and Development). This expenditure level almost equals the total annual Educational and General Revenues of the nation's publicly-financed colleges and universities.

Of course, many private organizations have long offered courses and educational leaves for their employees. The crucial change of late, however, is that corporations have broken the monopoly of higher education institutions over awarding academic credit and degrees. This phenomenon prompted the New York Times to warn of a "blurring of function" between business and the institutions of

higher education (NYT, "Survey of Continuing Education," August 30, 1981). The Times stressed that, near Boston, a city with many educational opportunities, degree programs have been established by a hospital, a bank, a consulting firm, and a computer manufacturer. The computer firm, through Wang Institute, has recently been accredited by the New England Association of Colleges and Secondary Schools and offers a master's degree in software engineering. Altogether, more than 2,000 courses at 138 corporations have been identified by an agency of the American Council on Education as worthy of academic credit. Clearly, this is not just activity on the fringe.

To the extent that "third sector" programs are responses to the specific training needs of their corporate sponsors, this trend is natural and possibly beneficial. However, to the extent that the trend suggests the poor quality or the unnecessary rigidity of colleges and universities, then increased competititon for degree-oriented students could become a serious, potentially disastrous, threat to the formal institutions of postsecondary education.

The Relationship Between Institutions and Governments

1. State-Level Formulas

A State-level budget formula expresses the way a State funds its institutions of postsecondary education. It is a mathematical means of relating the workload of a public institution to its State appropriation. Functionally, statewide formulas are the bridge between cost and workload analysis (historical information which determines relationships between programs and expenditures) and the State Budget (the document which contains the approved level of expenditures).

Budget formulas throughout the nation are diverse. Nevertheless, they all serve certain purposes: they lessen political wrangling among educational institutions; they assure some consistency and objectivity in treatment; they provide State officials with understandable measures; and they often represent a compromise between State control over line-item budgeting and institutional autonomy. Still, most State-level formulas suffer from serious defects, eight of which will be increasingly apparent in the 1980s.

a. enrollment changes are funded by the average total cost to the institution per student, or (though preferable) by the average cost of instruction per student;

b. most formulas are based only on input (credits and seat time) rather than on performance measures (changes in knowledge, enhanced personal and career development);

c. many formulas are becoming riddled with categorical or line-item programs which can reduce institutional flexibility, create protected enclaves which are unresponsive to changing circumstances, and tend to consume legislative time in details rather than discussions of general policy or overall educational effectiveness;

d. collective bargaining is likely to have a significant impact on formulas and their operation during budget review;

e. socially imposed costs (ones imposed by statute or litigation such as: costs for personal security, work standards, personal opportunity, due process, public information, and environmental protection) are often mandated but not funded through the formulas;

f. the difficulty of making formulas sensitive to differential cost increases among the goods and services purchased by institutions;

g. the neglect in most formulas of adequate funds for deferred maintenance and equipment replacement; and

h. the difficulty of coordinating tuition and fee increases with adequate student financial aid to carry out state policies.

2. Demands for Increasing Accountability

The Carnegie Council portrays higher education as once a largely self-governing and autonomous part of American society which increasingly "has become subject to many forms of regulation and has taken on the status of a regulated industry" (p. 14). Indeed, the use of formulas historically bolstered this trend toward more accountability in State budgeting by imposing different management practices, formal cost accounting, and complex budget procedures.

Looking ahead, demands for increasing accountability are likely to assume three forms:

a. challenges to the perquisites of higher education: presidential residences, tenure, sabbaticals, and fiscal autonomy;

b. an emphasis on increasingly detailed cost data, generally by discipline; and

c. demands for fiscal and performance information comparable to that provided by other state agencies.

As a whole, many educators believe that the priority of higher education has declined and that such demands are the pernicious expression of this sentiment. An alternative view is that the demand for accountability only represents a desire for the institutions of higher education to conform to the standard practices of State budgeting.

After considering both sides of the debate, it seems to me that intrusive regulation of institutions can be counterproductive: it can cost money, stifle creativity, destroy diversity, and--at the extreme--intrude on academic freedom. No one favors these results. But such an litany of dangers will, by itself, by insufficient to counter the demands for increased accountability. Instead, the institutions should convincingly demonstrate clear priorities, self-restraint, and more effective techniques of evaluating their activities. Only by doing so can the historic special relationship between government and educational institutions survive times of fiscal stringency.

3. Competition in the Budget Process

It appears that most state governments did not assign a lower priority to higher education during the 1970s than to other public services. For example, the institutions of public higher education in California received a remarkably uniform proportion of State and local resources throughout the decade, ranging between 11 and 12 percent of State General Fund expenditures and property tax revenues. In fact, contrary to some impressions, the institutions received a slightly larger proportion of these revenues following Proposition 13.

Will most states be willing to fund higher education at historic levels during the 1980s? On the whole, I have some doubt that the institutions can secure their past share. First, statutory and constitutional commitments to fund other state activities, such as retirement systems, are likely to receive priority over higher education. Second, many legislators believe that, unlike citizens served by most other State agencies, many students can afford to pay more than they do now for their education and thus relieve taxpayers to some extent. Third, the final budgets for most institutions of higher education are not guaranteed by statute; changes are negotiated annually or bi-ennially in the Budget Bill. Thus, it is easier to lower these negotiated amounts than to amend statutory adjustments or to postpone obligations such as retirement funding. Finally, salaries represent about 80 percent of institutional budgets. In most states, decisions on salary cost-of-living adjustments come late in the budget process when revenues and prior commitments are known. Salary increases are therefore used "to balance the budget," and agencies where salaries are a major pro-

portion of their budgets suffer during years of stringency. This practice, of course, might change with collective bargaining.

Conclusion

Despite these imposing challenges, I am cautiously optimistic about the ability of educational institutions to meet them, and even to prosper, during the 1980s. Polls indicate that higher education still enjoys a relatively high confidence with the public, so it should not be an era of anti-intellectualism or vindictiveness. Further, the need for people who understand our world and can cope with technological change will not diminish--higher education can surely play a role here.

My hope is that educators recognize the realities of the 1980s and respond with self-restraint, clear priorities, and effective evaluations. The challenges suggest that educational leaders should be their own best critics. Their challenge is to be creative, ingenious, and service-oriented rather than to rely on past accomplishments or the traditional respect accorded to higher education.